

Date: April 2, 2013

To: Thomas J. Bonfield, City Manager
Through: W. Bowman Ferguson, Deputy City Manager
From: Donald F. Greeley, Director, Water Management
Subject: Proposed Updates to Fee Schedule for Water and Sewer Capital Facility Fees

Executive Summary

The City establishes capital facilities fees for all new connections to the City water and sewer system as authorized under Section 70-50 of the City Ordinance. These fees are earmarked for the construction and expansion of water and sewer facilities to provide necessary capacity for service. These fees were last updated in 2010 and the proposed fee schedule is reflective of the City's current cost of service. Changes to capital facility fees require a public hearing under applicable State law.

Recommendation

The department recommends that the City Council:

- 1) Hold a public hearing to receive comments on the proposed fee changes; and
- 2) Adopt an ordinance amending Chapter 15, Part 15-103 (Capital facilities fees) to the City's Fee Schedule with an effective date of October 1, 2013.

Background

The City Council is authorized under Section 70-50 of the City Ordinance to set capital facilities fees for all new connections to the City's water and/or sewer system. All fees collected are earmarked for and applied to the costs of constructing new water supply, water treatment and wastewater treatment facilities and expansions to existing facilities. The fees are to be the same for customers located inside or outside of the corporate limits of the City.

As part of the systematic review of existing fees and charges during budget preparation, the capital facility fee, last updated in 2010, was reassessed to reflect current City costs.

Issues/Analysis

The City has a policy of charging customers fees to recover costs in addition to rates for actual water and sewer services provided, such as physical connection, initiation, and delinquency fees. Customers connecting to the City's water and/or sewer system are immediately benefitting from the infrastructure paid for by others and capital facility fees are designed to provide for the cost of the capacity to be received. Good business practices include periodic review of fees to assure adequate cost recovery, and these fees were last updated in 2010. Fees for meter sizes not listed below will remain the same.

Durham's current capital facility fees for 5/8" meters used by most single family residences are currently among the lowest in the area, and will continue to be, even after the proposed rate increase. As evidenced in the table below, Durham fees compare favorably with Raleigh, Cary, and OWASA.

Capital Facility Fees at 4/1/13 for Single Family Residence				
	Durham	Raleigh	Cary	OWASA
Water	\$1,524	\$1,679	\$1,183-\$2,783	\$1,286-\$7,631
			Based on SQF	Based on SQF
			\$1,471<2401 SQF	\$1,956<2401 SQF
Sewer	\$915	\$992	\$2,118-\$4,904	\$2,938-\$5,431
			Based on SQF	Based on SQF

CAPITAL FACILITY FEE	Current Fee	Proposed Fee
WATER 5/8"	\$ 1,524	\$1,611
WATER 1"	\$ 3,417	\$4,028
WATER 1.5"	\$ 6,571	\$8,055
WATER 2"	\$ 10,354	\$12,888
WATER 3"	\$ 22,339	\$28,193
SEWER 5/8"	\$ 915	\$967
SEWER 1"	\$ 2,286	\$2,418
SEWER 1.5"	\$ 4,573	\$4,835
SEWER 2"	\$ 7,316	\$7,736
SEWER 3"	\$ 16,004	\$16,923

Alternatives

Make no changes to current fees. Any increases in cost of providing capital facilities would be borne equally by all rate payers, not primarily by those new customers joining the system and enjoying the benefits paid for by other rate payers in the past.

Financial Impacts

The proposed fee schedule is reflective of the City's current cost of service. The City has a policy of charging customers to recover costs. Staff has analyzed the cost of time and materials for such procedures. Good business practices include periodic review of fees to assure adequate cost recovery.

SDBE Summary:

The Ordinance to Promote Equal Opportunity in City Contracting does not apply to this item.

Attachments

Ordinance amending Chapter 15, Part 15-103